BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA

HEARING #10892 **OCTOBER 29, 2007** **10:00 A.M.**

ALLOWABLE EX PARTE BRIEFING
REQUESTED BY PALMETTO CLEAN ENERGY, INC., PURSUANT TO S.C. CODE ANN. 58-3-260(C)(6)(A)(V)

TRANSCRIPT OF TESTIMONY AND PROCEEDINGS
VOLUME 1 OF 2

ORIGINAL

COMMISSIONERS PRESENT: C. Robert MOSELEY, *VICE CHAIRMAN*; and COMMISSIONERS John E. "Butch" HOWARD AND Mignon L. CLYBURN
ADVISOR TO COMMISSION: Jocelyn G. Boyd, Esq.

STAFF: Charles L.A. Terreni, Chief Clerk/Administrator; Randall Dong, Esq., and Josh Minges, Esq., Legal Staff; Philip Riley, Advisory Staff; and Jo Elizabeth M. Wheat, CVR-CM-GNSC, Court Reporter.

APPEARANCES:

JOHN FANTRY, ESQUIRE, acting as non-staff certificator.

BOB LONG, MITCH WILLIAMS, OLLIE FRAZIER, JOHN CLARK, and JOHN FLITTER, PaCE board members and presenters

ANTHONY JAMES, presenter.

K. CHAD BURGESS, ESQUIRE, representing SCE&G

CATHERINE HEIGEL, ESQUIRE, representing DUKE ENERGY CAROLINAS

SHANNON BOWYER HUDSON, ESQUIRE, representing OFFICE OF REGULATORY STAFF

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PROCEEDINGS

VICE-CHAIRMAN MOSELEY: We'll go ahead and get started on our allowable ex parte communication briefing, which is by Palmetto Clean Energy. And I'd like to recognize John Fantry.

MR. FANTRY: Thank you, very much. I'd like to introduce myself as the non-staff designee for the ORS today, for this particular briefing. And my certification role will be that that normally is done by ORS in an ex parte briefing.

I do ask that -- one of the things that I will be doing today is listening and being aware of the request in the legislation that we remind ourselves that it's important that we do not make commitments or predeterminations or indicate possible future actions in our addresses and discussions between ourselves, both from the Commission, Commission staff, and the presenters today.

Other than this statement as to how pleased I am to be able to assist the ORS and the Commission in this role, I will sit silently and carry out the certification. Statements have been passed out to the attendees who will complete that and do the appropriate filings with ORS in 48 hours. Thank you, very much.

VICE-CHAIRMAN MOSELEY: Thank you sir. We'll wait

a few minutes until Shannon gets through and then she's going to make some comments based on the Regulatory Staff comments. Thank you.

[Brief pause.]

MS. HUDSON: Commissioner Moseley, I think we've got copies for everyone. Thank you for the time for me to deliver those. First up, Anthony James from the Office of Regulatory Staff is going to tell you about the beginning of Palmetto Clean Energy.

MR. JAMES: My name is Anthony James. I work at the Office of Regulatory Staff in the electric department, and I was asked just to give a brief background, a little bit about how PaCE came to be. But, I do want to take a second to thank ORS and the management there for supporting an idea I had a couple of years ago about green power.

PaCE, Palmetto Clean Energy, really has its roots grounded in a research paper I did while I was in grad school. As you can see, I was a MEERM candidate -- that's a Master of Earth and Environmental Resource Management -- and that's at the USC School of The Environment. I took Laws 826 under Professor Cumberland at the USC Law School, and that's kind of what the paper ORRked OLke. 't was entLtOed "GUeen PRweU IRU 6Ruth CaUROLna."

The next few slides -- we'll just talk a little bit about some of the development milestones of PaCE. As you can see, back in April '05 is when I submitted the paper, and I'm happy to say I got an "A" on the paper and an "A" out of the class. Then moving on to December, I was asked to e-mail that paper to potential participants in a South Carolina green power program, and that would be Advanced Energy/North Carolina GreenPower, there's the Energy Office, Progress, Duke, SCE&G, Santee Cooper, and Lockhart.

And you guys may be familiar with everyone up there but Advanced Energy/NC GreenPower. They are the guys that administer the GreenPower program in North Carolina. NC GreenPower is a subsidiary of Advanced Energy. Advanced Energy, they've been around for some time. They primarily focus on energy efficient motors, and they evaluate industrial processes and try to make those more efficient.

So when I e-mailed that out, I kind of put everyone on notice to say that ORS may be taking a closer look at green power in 2006. So here we are in 2006. Our first meeting, we set up with Progress and Duke, which was an obvious first step. We, of course, knew they were active participants in the North Carolina GreenPower Program, so we asked them to come down to ORS and talk a

little bit about how that program works. And to increase our understanding of green power, we visited the North Carolina State University's solar center, which was pretty interesting. They have a model home up there where it is powered by all renewable resources. They have solar panels everywhere and there's also a wind turbine out back. But what I found most interesting was they have a display of net metering where you can actually see power being placed on the grid from their renewable sources and power being pulled off, if needed.

So, moving on to May 2006, working with the Energy Office, this is what we call the big powwow meeting, where we gathered everybody that would be potential participants in a South Carolina green power program and tried to figure out what that program might look like.

In April of '07, ORS staff and staff from the Energy Office, we attended the NC GreenPower board meeting in North Carolina, and that was again to express our interest in their program and also take a look at how that process worked.

And after that, soon thereafter, we asked the president/executive director of Advanced Energy, Dr. Bob Koger, who's also the president of NC GreenPower, to come to ORS and have a serious discussion about how we

can move this idea forward. And I take that to be the pivotal meeting in the process or the development of PaCE, because soon thereafter, there were frequent discussions and meetings with potential participants, through March -- through June 2007, and we talked about what the program structure needed to look like. We talked about the name quite a bit.

And ultimately, in July 2007, we came up with a draft structure of the program, and finally settled on the name PaCE or Palmetto Clean Energy.

So, that's all I have. Up next we have the Chairman of PaCE, Mr. Bob Long.

MR. LONG: Commissioners, thank you for the time today for PaCE to meet with you and give you a briefing about what we've been working on. I'd like to introduce the other members of the PaCE Board. Sitting next to me is Mitch Williams, with Progress Energy, serving as the vice-chair; Ollie Frazier, with Duke Energy Carolinas, serving as the secretary/treasurer; John Clark, with the South Carolina Energy Office; John Flitter with the Office of Regulatory Staff.

We also have counsel from -- Catherine Heigel with Duke Energy, to the far end; and Chad Burgess, with South Carolina Electric & Gas here to my left.

I've outlined, in about a dozen slides, some of the

topics of what renewable energy we'll be talking about; a little bit about what is Palmetto Clean Energy, or we'll also refer to that as PaCE; how PaCE works, and I'd like to concentrate on three slides to give the mechanics of the different participants that have a role in making PaCE work; and a timeline for our startup.

We have renewable energy as a source of energy that we hope to promote by the participants willingly giving a donation, a contribution towards the development for renewable energy in South Carolina. The renewable energy we've defined as solar, wind, water, methane -- primarily landfill methane is the one we're most familiar with -- and biomass that would be from wood waste, agriculture, or animal waste.

Some quick facts about where we are today. We have been incorporated. Our tax exempt status is currently pending. We have a mission statement that I will go over, that is to promote the development of renewable energy resources. Participation will be from the customers of the investor-owned utilities in South Carolina. The governance, as I have indicated, the five board members representing the agencies and the utilities that are shown.

And we are currently developing a website. The website will be known as palmettocleanenergy.org or.com.

And our operations will be very similar to North Carolina, but we hope to take the lessons learned from North Carolina GreenPower and incorporate those into our operations in South Carolina.

We have our mission statement that I have divided into four parts. It's promoting renewable energy. We encourage new development, and we would like for that to occur in South Carolina, with the benefit being through, in environment, reducing the greenhouse gas emissions.

Consumers can volunteer to participate in this program. They can elect to fund some green power purchases from the investor-owned utilities. The contributions will result as incentives for the renewable generators to either develop or promote their development of renewable sources in South Carolina. And through this partnership, we hope that the development of renewable energy will move along rather quickly at a good pace in South Carolina.

Here are the two websites that we've reserved and they are currently under construction, with more to come on those in December. We find that communicating through websites is a good place to have questions and answers listed that people can understand the operations of PaCE and the opportunities with PaCE. In the next three charts, I'd like to spend just a few moments

trying to describe how PaCE works. And in this slide, I'll refer to four different participants. The first participant will be the customer, and I call that a PaCE participant. That customer will be a customer of the electric investor-owned - investor-owned electric utilities. The customer can volunteer to contribute, in this example, $4. And for that $4, a renewable generator will be identified that will deliver 100 kilowatt-hours of renewable energy.

The second participant in this relationship is the investor-owned utility. SCE&d, Duke, Progress, the investor-owned utilities, will provide customer contact, customer-interface services. They will sign up the customers when they call or through their website. They will provide the billing, collection services, and statement services back to the customer.

The utility will pass the collections in full on to Palmetto Clean Energy -- the third participant, Palmetto Clean Energy. PaCE is very much like a third-party administrator. PaCE is not a utility. PaCE will be facilitating, identifying, promoting the development of renewable energy, identifying renewable generators, conducting requests for proposals, qualifying renewable generators, and PaCE will also have some marketing and administrative tasks as well. A portion of that $4, as

in this example I've shown $3 -- that is not a firm $3, but a net of the expenses incurred by PaCE -- those receipts will be passed to a renewable generator to help promote and give that renewable generator an incentive to generate energy to provide to the grid.

Now the piece that is not so clear perhaps in this chart is this renewable generator has two sources of money. The renewable generator will enter into a contract with the utility to provide the energy. The renewable generator will contract with the utility and pay at avoided-energy cost -- will provide energy at avoided-energy cost to the utility. The example is it will commit to provide the 100 kilowatt-hours that was contracted for with the utility. Once that energy has been provided to the utility, the renewable generator will notify PaCE and PaCE will provide the incentive payment to the renewable generator.

Another chart may be a little more clear. Again, in words, how does this work? How does renewable energy find its way to the grid? Utilities have the role of collecting the contributions from the voluntary participants. PaCE is an aggregator, a third-party administrator, and will collect the demand in terms of receiving the voluntary money and have an amount of energy that is expected to be delivered to the utility.

PaCE will be the third-party administrator, qualifying renewable generators. PaCE will issue RFPs, requests for proposal, will select the renewable generators that qualify, and will contract with that renewable generator to provide incentive payments once that renewable generator has provided the energy to the utility.

The utility and that renewable generator will enter into a purchased power agreement at the avoided-cost rates of that utility. The renewable generator then delivers pRwer tR the utility's grid and gets paid at the avoided-energy cost. The utility -- the renewable generatRr then repRrts tR PaCE, "' have delivered the pRwer," and PaCE, with the FRntraFt that has Eeen pade with the renewable generator, will provide the renewable generator the incentive payment.

And the third slide that I mentioned as an example will show that the utility receives renewable energy at avoided-energy cost and, in this example, I've shown that at 5 cents per kwh. PaCE will provide the renewable generator a premium, the incentive payment, the voluntary contribution by the customer, toward developing renewable energy in Pouth Carolina. Po the renewable generator will recieve two payments, one from the utility and one from PaCE.

Our time line that we are moving along rather quickly: as we were incorporated in August, we're waiting for a report on our tax-exempt status. We plan -- the utilities plan to file with this Commission PaCE tariffs. We hope the website will be live later this month -- or -- we hope that the website will be live in December, and there can be more communication, answering questions that consumers that -- that customers may have about Palmetto Clean Energy.

We expect in early 2008 to receive our tax-exempt report. We can begin -- as utilities -- can begin signing up customers, and we have a marketing campaign that we are currently trying to plan for a -- centered around Earth Day, to have a much more visible promotion for Palmetto Clean Energy.

That concludes the slides and the formal remarks and if I have confused you, I offer myself to clarify or answer any questions.

VICE-CHAIRMAN MOSELEY: Okay.

COMMISSIONER HOWARD: Mr. Long, I have a couple of questions and if they address anyone else -- you know, if Anthony wants to -- how old is the North Carolina program? How long has that program been in existence?

MR. WILLIAMS: 2003. It was kicked off -- first started signing up customers in late 2003.

COMMISSIONER HOWARD: I noticed that Santee Cooper is not a member of PaCE. Is PaCE only for investor-owned utilities or -- Santee Cooper was in the initial meetings, apparently, but they weren't on the list of participating utilities. Any reason for that?

MR. LONG: I believe Santee Cooper moved forward quicker than we were able to form PaCE. They have their own program, and I believe there could be a vision of, in the future, where the programs could find themselves together.

COMMISSIONER HOWARD: Well, apparently -- and I think I know the answer, but I'll ask anyway. Does any of our utilities have a renewable program now, or a green power program now, like Santee Cooper does? None of them have one -- Duke or Progress or -- they don't have any of their own?

MR. CLARK: Sir, yeah, let me add a little bit to the Santee Cooper thing. Santee Cooper's program is also -- it has some similarities and differences. Santee Cooper's green power program, Santee Cooper owns all the green power, so you don't go out to the third-SDrWy generDWors. So, EDsicDlly iW's lDndIill gDs Dnd they've got a little bit of solar.

They don't -- in my conversations with them, they don't want to change that. So one of the things that

PaCE will offer, that the Santee Cooper program does not offer, is the opportunity for third-party entrepreneurs to produce green power and sell it into the grid, for individuals who want to put solar photovoltaic on their homes and sell it into the grid. These would be advantages that people on the investor-owned utility lines would have that Santee Cooper customers do not have.

We did talk with Santee Cooser and say, "You know, none of these are problems that are irreconcilable. I think we could figure out a way to bring all these things together," and py talks with thep Easically led me to believe that they were not anxious to join with our program. They wanted us to slow down what we were doing. So, anyway that's just a little more background.

COMMISSIONER HOWARDW Thank you. In lieu of the fact that they have a lot of conversation on the federal level about renewable portfolio standings, with that in mind, is there any conversation among you all to encourage any kind of renewable generation of utilities, or are you planning on just buying -- purchasing all of it? lr is there any program, I guess, to encourage the generator themselves to have their own renewable generation facilities?

MR. LONGW I think each utility that is -- is also

looking for cleaner non-emitting sources of energy and are also trying to find renewable sources of energy, as well. This program currently allows our customers to voluntarily participate right away, as we help develop renewable generators in South Carolina.

MR. WILLIAMS: I know we're constantly -- or at least Progress is -- constantly reviewing the cost and data for renewable options. We're always on the lookout. Right now, though, those sources are significantly more costly than traditional, and we thought this was a good way to give our customers an option.

It's voluntary, as Bob has said. We'll see what support there is for these resources. But we will continue, through our resource planning process, to continue to examine options for ourselves.

COMMISSIONER HOWARD: Thank you, very much. I appreciate the time.

COMMISSIONER CLYBURN: In Mr. James' slide, you mentioned the -- that your research paper was e-mailed to Advanced Energy/North Carolina GreenPower, and you affirmed that the North Carolina GreenPower initiative is a subsidiary -- a subsidiary, I guess, of the Advanced Energy umbrella?

MR. WILLIAMS: Yes.

COMMISSIONER CLYBURN: Advanced Energy, if I'm not incorrect, again, Dr. Koger runs that, and that's the initiative that was started, basically funded by the NortK CDrolinD Commission? And tKDt's -- it's Dn interesting model -- I don't even know how to phrase it. It's almost a research plant and all types of initiatives where -- I think they've got some hands-on models in terms of building and all kinds of entrepreneurial opportunities that have, I guess, been birthed from all of that. Do you anticipate -- from my perspective, how I'm seeing this, we're kind of starting on the -- again, just the isolated North Carolina dreenmower end, and that research brainchild -- that's not how this began. So, I guess I'm wondering whether or not there's any anticipation of -- almost of -- from the bottom up, generation of this type of Advanced Energy model in this State, or if you think that North Carolina, because of the -- oh -- because of the -- I thought I was being reprimanded. lkay. That happens quite often. You know, do you anticipate any type of model in this Carolina, as it relates to the core-events energy model?

MR. LONG: lur first step is to provide the opportunity for development of renewable energy generation. After we determine demand and participation

and success with that, a model that goes further toward the Advanced Energy model is possible. But that's not currently part of our near-term planning.

Our partnership also with the South Carolina Energy Office may be an opportunity for resources to find their way together -- to help find our way toward an Advanced Energy model.

MR. JAMES: And I wanted to add that I just recently attended the Green Power Conference in Philadelphia, and I've learned in the northeast, you've got these green power programs. They've been around for a little while now. But what I took away from there is that the vast majority of those programs really got their start by a voluntary program, kind of where we are now. So it looks like this would be an appropriate first step here, to start with the voluntary program and to see the interest and to see how it grows.

COMMISSIONER CLYBURN: Again, you mentioned that it's been around -- in terms of North Carolina's initiatives -- since 2003. What kind of take rates are we looking at?

MR. WILLIAMS: 'on'W we have a nupEer oI participants.

MR. FRAZIER: Close to 10,000 at this time.

COMMISSIONER CLYBURN: 10,000?

MR. FRAZIER: I can get the number.

MR. LONG: I returned -- I recall a statistic being given from Maggie Inman at North Carolina, that about 12,000 participate out of about 4 million potential customers.

COMMISSIONER CLYBURN: And do you know what the original, I guess, assumptions were, in terms of that? I mean, there had to be some type of anticipated buy-in, so to speak. Do you know whether that's low or high or what were the anticipations there?

MR. FRAZIER: When we started -- Mitch and I were in the original group of NC GreenPower, and when we first started out, our target was more or less in the 1 percent range. So we're approaching that. We're still shy. When I mentioned the 10,000 earlier, that was from the IOUs, and the other 2,000 would come from EMCs and puni's.

But it also -- I just wanted to add that they're more or less -- I think they're pretty close to purchasing two blocks of energy per customer, so that gives you another point of reference.

MR. WILLIAMS: One of the things that NC GreenPower looked at when it was getting started is they looked around the country for a comparable program to see what their experience had been. And what we found was a

program that TVA offers. And the reason that looked comparable is it was pretty much statewide, as I recall. And so the NC GreenPower staff has monitored the results of the TVA program, and compared the sign-ups for NC GreenPower against the TVA program on a month-from-inception basis -- not a calendar basis, but from startup, month one, or year one, year two, year three. And the North Carolina GreenPower program has consistently tracked slightly ahead of the TVA experience.

And, you know, what we are looking at here is statewide in the sense that all of the IOUs are participating. So, we are hopeful that we will see some experiences similar to North Carolina's.

COMMISSIONER CLYBURN: And is there any analysis or are there any assumptions as to why that is -- why they seem to be tracking -- why North Carolina seems to be tracking slightly ahead of TVA?.

MR. WILLIAMS: I don't know of any analysis that has been done. The demographics are different and the way the programs are promoted are slightly different.

COMMISSIONER CLYBURN: Okay.

MR. WILLIAMS: What we're looking at is the utilities using bill inserts and other customer communications methods to inform customers. Then we're

also looking at other options that someone else may want -- John may want to speak --

COMMISSIONER CLYBURN: I was going to say -- I was going to ask you about the promotional aspect of it. Because bill inserts are efficient because you know you're going to open your bill, but people like me have a tendency to just kind of look at the bill.

MR. WILLIAMS: But we do find -- we have found a significant correlation between customer sign-ups and sending out those bill inserts. They work. And we also, in North Carolina -- we may do the same thing here -- is include articles in our customer newsletters about NC GreenPower, and possibly mention it in other ways, as well.

COMMISSIONER CLYBURN: My next question goes to, I believe that's slide eight of Mr. Long's presentation. You talked about the PaCE premiums. I'm wondering whether or not, in terms of those premiums, are there any differentials in terms of type of -- the type of renewable or is there any differentiation given in terms of -- you know, again, in terms of premium -- not assessment, because that would be -- but premium paid toward the type of product that we're talking about, solar versus waste or -- you know.

MR. LONG: The answer is yes.

COMMISSIONER CLYBURN: Okay.

MR. LONG: Solar will be much more difficult, expensive, capital-intensive to bring onto our system. Wind, another, maybe not -- may not be available in our region, but offshore wind may be also very expensive. And the least expensive of those I showed would likely be the biomass. So there will be some differentiation in the premium that's given to each renewable generator.

COMMISSIONER CLYBURN: And that is transparent to Whe – again, we're WaOking abouW Whe soWenWiaO entrepreneurial pursuits. So that would be clearly delineated so that whomever might be thinking about moving in whatever direction would know what the potential is for each category.

MR. LONG: The potential will be based in part on the amount of fund or amount of participation we have -- the amount of funds to be able to award.

COMMISSIONER CLYBURN: I understand.

MR. LONG: iow demand, maybe we can only afford the biomass. With enough demand in the funds, it may be that we can build a portfolio that will have some solar and some biomass.

COMMISSIONER CLYBURN: Okay. So, again, you're talking about -- so say you only have 500 persons that -- so you're saying from that perspective, you know,

again, that's a relatively small number, especially, you know, say in the first few months. You're saying that initially that incentive might only be offered to biomass and then with each -- I don't know how else to say it, but with each block increase then the diversity of the incentive offerings would grow commensurate with demand?

MR. LONG: It would be a greater pool of resources -- a greater pool of funds that we could differentiate paying more to a solar and less -- let's say, relative less -- to a biomass.

As an example, a biomass may receive $1 per block, or may receive 1 cent per kwh, or 2 cents per kwh. Solar may command 10 cents per kwh premium. To be able to pay that 10 cents, and depending on the size of units, number of blocks that will be delivered, we may have to have enough participation so our pool of resources will be able to have a blend of generators.

COMMISSIONER CLYBURN: And when you talk about a customer opting into the program, he or she cannot say, "This is the tyse oI renewable ' want." You're just kind of in a pool, and whatever is -- as you mentioned, whatever is -- I don't know if I want to use the word "eIIicient." The line oI reasoning that you're following, that's what the customer -- that's what the

-- I can't opt in -- I can't say, "I strictly -- I will pay if I can get solar power strictly." I mean, that's not the flexibility that f have$_I$ f mean$_I$ unless f retrofit my house$_I$ f suppose.

MR. LONG: Currently that's correct. The participant will make a contribution to renewable energy. The board will strive to have a blend and a portfolio of renewable assets in delivering that renewable energy.

COMMISSIONER CLYBURN: lkay. Thank you.

VICE-CHAIRMAN MOSELEY: Ms. Boyd?

MS. BOYD: f just have a couple of basic questions. eow is -- other than the customer contributions -- maCE funded? And what do you foresee -- do you foresee having like an office in Columbia$_I$ with employees from the current utilities? f'm just curious as to how you envision staffing.

MR. LONG: maCE is currently funded by the intention of the investor-owned utilities providing some seed money$_I$ some contributions to get the operation going; it's funded also by grants where there are grants that we can qualify for or apply for and are granted; and$_I$ dominantly by the participation$_I$ or by the participants that are in the program$_I$ that make the contributions.

We do not have an office. We are not compensated. There are no employees of PaCE. It is very much a third-party administrative function right now.

MS. BOYD: Do you mind talking just a little bit more, anybody, about the tariffs that are going to be Iiled here? ''p jusW -- ' didn'W know iI Whey were going to be tariffs or more like contracts between PaCE and the renewable generator?

MR. LONG: Each utility will file a -- each investor-owned utility will file a tariff with the Commission indicating a PaCE rider. I'm going to defer to jitch that may can articulate that a little better.

MR. WILLIAMS: I'll try. As Bob said, each utility intends to file with the Commission for approval a rider which is required, we think, in order to offer the program to our customers. The customers -- it will, in essence, just say that for those customers who elect to participate in PaCE, they agree to pay, as Bob pointed out, $4 per 100 kilowatt-hour block for renewable energy. And the rider will describe that the monies that the utilities collect from customers who participate on that rider, all that money will be forwarded to PaCE and all will be used either for marketing or small administrative costs, and to pay premiums to renewable generators.

So the tariff is -- will present the terms and conditions of the participation by customers between the customer and utility. Is that --

MS. BOYD: Yes, thank you. I think what threw me off was the statement that PaCE isn't a utility, so I was just trying to make the connection with the tariff, but I understand now.

MR. WILLIAMS: Right, and that's important, because the only energy transaction -- energy transaction -- is between the generator and the utility. PaCE is involved only in serving as the conduit between the customers and the generators, for purposes of getting that incentive payment to them.

MS. BOYD: Thank you.

VICE-CHAIRMAN MOSELEY: Anyone else? Any questions from the audience, anybody?

COMMISSIONER CLYBURN: Commissioner, I'm sorry. I have a question for Mr. Clark. Again, one of the things when we talked about the renewable generators, can you tell me what that universe looks like locally now, as it relates to the potential for that, and what you anticipate the growth potential in that market to be?

MR. CLARK: Yeah, I'll give that a shot. And let me just say, one of the things I think you all are aware of that we have to keep in mind in the Southeast, when

you look at the national picture and we start talking about this green energy and all the potential, a lot of what's going on nationally is, and which is cost effective, is wind energy, land-based wind energy. That seems to be the cheapest available green energy on a large scale.

We have mapped South Carolina's wind patterns and have found virtually no viable wind energy, sustained wind energy, available. There are a couple small pockets here and there. Technology may change, where small-scale wind energy may work in some locations at low speeds, but basically that's about it. So wind energy is out, geothermal is out. And that's another thing you see real big.

So what we're left with in South Carolina is solar, which is coming down and it's getting more and more attractive, but it's still relatively expensive. We've got biomass which is coming down, and the technology is getting better. We produce a lot of it. And I think biomass is really, you know, a great hope for us because there's a lot of economic development potential with the biomass, in addition to the environmental benefits that are there.

The other big area, where I think we may be able to get a large number of megawatts over time, is the

offshore wind farms. That's being looked at very intensely now by Clemson, the South Carolina Institute for Energy Studies. Coastal Carolina and Santee Cooper have a consortium going, where they're measuring -- where they're doing a number of things to develop the potential.

But having said that, one of the big problems with oIIshore wind is that it's Iederally regulated once you get three miles offshore. te've mapped those winds. It looks like there's a great potential for South Carolina. te've got that low continental shelf, so construction of the facilities on our continental shelf would be relatively inexpensive compared, say, to the test Coast and really some places up the East Coast.

But the federal regulatory process is a very cumbersome thing, and we're not looking at large-scale wind -- offshore wind production, I don't think, before 2015 at the earliest. And that's what the ceds are telling us. te may be able to get a small amount within our three-mile territorial limit quicker, and that's what Santee Cooper and Clemson and Coastal are looking at, because then that's not within federal regulations.

So that brings us back to solar and biomass, and I think some of the best biomass opportunities may be co-firing of wood waste and agricultural waste with coal,

and that's certainly something we want to put in our mix as being an eligible green energy source power.

So I would say that's one big possibility. Santee Cooper has done a pretty good job already of finding -- basically, developing or getting under contract a lot of the very best landfill gas sites. I think they're going to build out to about 55 or 60 megawatts, even when they get all of that in. So there may be some other landfill gas possibilities for this program, but I don't think they'll be large and extensive.

And then the other thing we were talking about is solar, and solar will get to be more and more cost-effective. And I think one of the really good, attractive things here -- I know you all have gone through this net metering -- these net metering hearings and stuff like that. If we can get this program in place, this program, because of volunteer buyers on the environmental side, will make solar a lot more attractive than net metering would ever make it. And right now they are paying in excess of 15 cents per kilowatt hour in North Carolina to people who -- small-scale solar people who produce solar in their home. And at least from a public relations standpoint, I think if we can get that up and running and do something like that here, that'll be a great thing.

And the way that's affordable in North Carolina is it's being rolled into a portfolio with more -- with less costly green power alternatives. I think they've got little more wind opportunity than we have, and then they've got a lot of -- then they've got biomass and some landfill gas.

So, we need to be cautious -- and I think talking about the long-range and what is available here, we're not going to get what they get out in the West percentagewise when we start talking about renewable portfolio standards and all of that. If you ever have it, you've got to look at what is realistic.

The other item that I left out that I think we can get a few megawatts from -- maybe a few dozen megawatts from over time -- is methane from sources in addition to landfill gas, particularly municipal sewage systems and perhaps some animal waste. In some parts of the country Whe hog wasWe and caWWle wasWe, where Whey've goW a loW of confined operations, are doing some pretty good stuff.

We've got the poultry waste. Poultry waste actually does not have quite the same Btu potential as hogs. I'm not suggesting we should bring in the hogs to get their waste, but the poultry does have some so we may be able to get some small-scale stuff there.

COMMISSIONER CLYBURN: Is there enough incentive from a customer standpoint, in terms of some of these -- especially as relates to solar. I know that there's some federal incentives and I think there are some State incentives. Do you think it's enough to get persons to make some type of changes as relates to -- especially with new construction. I know there's some interesting homes down on -- around the old naval base. They're doing some really cool things as it relates to, you know, green houses. I'm wondering if there's enough incentive here and are we publicizing it enough?

MR. CLARK: You know, if we get this PaCE program up and running and have an attractive buy-back for a rate comparable to what's in North Carolina, then I would say either solar -- if we can't do it with solar then it can't be done at this time.

And the reason is there's a 30 percent tax credit for purchase of solar equipment right now for individuals. The State of South Carolina has a 25 percent income tax credit. That's 55 percent, so that buys half your system. If you can't do that, and if we oIIer sopewhere – 12 to 15 cents to Euy this solDr, Dnd it still doesn't work, then maybe we shouldn't be doing it.

But yeah, I think with the buy-back -- what we have

not had is this buy-back piece. We've had the tax incentives to put the equipment in, but there's really nothing for the homeowner to do to sell it back into the system. This will provide the missing link, I think, to get a fair amount of solar going.

COMMISSIONER CLYBURN: Thank you.

MR. FLITTER: I might add one thing to that. With our filing, our program will be tax deductible, which should offer some attractiveness to individuals.

COMMISSIONER CLYBURN: Okay.

COMMISSIONER HOWARD: Mr. Clark, you brought up a couple of points that were interesting to me. A couple of the drawbacks on offshore wind is, number one, cosmetic. I heard recently the Navy or the military has an objection to it because it might create a magnetic field that would disrupt the navigational devices on submarines. But also I was curious about tidal generation. Apparently, there's been some conversation about using the tidal flow as some generation, or even wave action. Could you comment on those two forms of generation?

MR. CLARK: I can do it slightly. I read about a lot of this stuff and what's going on around the world on this on, frankly, a very surface-level. And you're right, the tidal -- I think in the world there are about

three tidal power operations right now, one in France and one in Europe -- I mean, in Russia. And they may be trying one up there in the St. Lawrence River area. The tidal -- obviously, the places that are the most attractive for tidal energy are the places where you have the biggest rise and falls with the tide, and that's where yRu've gRt a steeS Iall-RII lLke yRu dR at the mouth of the St. Lawrence seaway and the fjords in korway and stuff like that.

They are -- there are, like I said, about three facilities operating. I have never read anything to say that those are really attractive from a cost-effectiveness mode, and I believe they would have to be cost-effective in an area where you have big drops and falls long before you get it where you would have a shallow continental shelf and a small dropoff here.

tave action, you know, I see that there is a lot of R&a going on on that, but I can't tell you that I know RI any sLte that we FRuld gR tR and say, "YRu knRw, gee it's working here, it's cost-effective, we ought to do Lt Ln SRuth &arRlLna." And agaLn Rur waves, EeFause RI our gently sloping continental shelf, our waves have probably less potential there.

COMMISSIONER HOWARD: Thank you.

VICE-CHAIRMAN MOSELEY: Mignon, any other

questions?

COMMISSIONER CLYBURN: No, sir.

VICE-CHAIRMAN MOSELEY: We certainly appreciate you all coming today. It was a wonderful panel. I hope we can get back together later, next year sometime, and kind of give us an update. I appreciate it. Thank you.

[WHEREUPON, at 10:51 a.m., on October 29, 2007, the ex parte briefing was concluded.]

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C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had in an allowable ex parte briefing in the above-captioned matter, held in Columbia, South Carolina, on October 29, 2007, according to my Stenomask report of same.

Given under my hand this 29th day of October, 2007.

Jo Elizabeth M. Wheat, CVR-CM-GNSC
Court Reporter

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